



CITY COUNCIL

Finance Committee

**Monday, November 5, 2007
Meeting Report**

Committee Members Attending: M. Goodman-Hinnershitz, Chair, S. Fuhs, J. Waltman

Others Attending: C. Younger, V. Spencer, R. Hottenstein, L. Churchill, D. Cituk, L. Kelleher, M. Baez, S. Marmarou, D. Sterner,

Ms. Goodman-Hinnershitz, Chair called the meeting to order at 5:02 p.m.

I. Olivet's – NEAR Programs

Mr. Churchill explained the City's ability to fund both the Olivet's and NEAR programs at reduced levels. He explained the purpose of both programs is to provide after school activities to the City's youth. The Olivet's program is focused in Southeast Reading in two locations and the NEAR program has three locations in the Southeast and Northeast areas. He stated that full funding for both programs totals \$98,000. He stated that due to caps applied by HUD funding would need to be shifted from other programmatic areas into the public services area.

Mr. Fuhs stated that he will not support reducing other recreation programs or community policing but would support reducing the allocation for RBI/OND.

There was a discussion on the quality of available recreation programs. It was noted that providing for both Olivet's and the NEAR programs provides a gap of \$24,000. Mr. Churchill noted the need for the City to explore the redesign of recreation services in collaboration with Olivet's and City facilities.

Mr. Spencer noted that at one time the City did have a partnership with the School District, Olivet's, PAL, Conference of Churches, Greater Reading Food Bank and other similar social

service agencies to provide coordinated recreation programs. He stated that Ms. Kelleher and Stella Leonti from the Reading School District co-chaired this program.

Ms. Kelleher stated that the program started in the summer months to provide daytime recreation with the services at one elementary school in each City quadrant. The program was expected to grow and expand; however, the School District had a change in Superintendents and upon the hiring of Melissa Jamula, the School District stopped supporting the program.

Mr. Waltman noted the need to re-energize the Park and Recreation Committee and have their assistance in the evaluation of current recreation programs. Ms. Kelleher stated discussions with the PARC are scheduled for either December or January.

Ms. Goodman-Hinnershitz agreed with the need for the reassessment of all recreation programs provided throughout the City. Mr. Spencer noted the need for the reassessment to include the location of each program.

Mr. Spencer noted his frequent visits to NEAR centers over the course of the year; however, on each visit he found the program to be inoperable.

Mr. Fuhs agreed with the need for a consolidated and more focused recreation program that will make the best use of funding and provide the best service to City youth.

Mr. Churchill stated that discussions with Mr. Palmer from Olivet's identified the need for \$49,000 to run the two Olivet's recreation programs in Southeast Reading. It was noted that the Olivet's program services approximately 400 children in two locations; however, the NEAR programs running at three locations only service approximately 100 City children.

Mr. Waltman expressed the belief that the City should provide CDBG funding to continue the Olivet's program.

Mr. Fuhs noted that a reduction of this level will create the need for Olivet's to reduce their hours of service; however, no reduction in the number of sites will occur.

Mr. Churchill suggested eliminating the NEAR sites in close proximity to the current Olivet's programs. Mr. Churchill stated that he will work with CD staff to make the appropriate amendment to the budget that will appear on Council's November 13, 2007 regular meeting agenda. Ms. Kelleher reminded Council that they need to adopt the CD budget at the November 13th meeting.

II. 2008 General Fund Revenue

Ms. Kelleher distributed a chart showing revenue collected by other third class cities in Pennsylvania and a Per Capita Tax Collection survey obtained from the PLCM. Mr. Spencer noted the need to maximize collections in the Per Capita and Business Privilege Tax areas. Mr. Spencer requested a report on the revenue generated by the Special Events Coordinator and the Tax Coordinator.

There was a discussion on the Mechanical Tax. This tax generates revenue collections of several hundred thousand dollars in other cities but is not collected in Reading. Ms. Kelleher reported that the enabling legislation for the Mechanical Tax is currently on the City's books. She noted that, for example, there are fees laid out for pool tables, juke boxes, electronic games, vending machines. She suggested that the billing for this tax could be assisted with the help of Codes Inspectors or Health Inspectors when they visit businesses using such devices. She explained that a mechanical device is defined simply as any machine that is operated by dispensing or inserting of money.

Ms. Goodman-Hinnershitz stated that the City either needs to collect these fees or remove them from the City's books.

Mr. Waltman stressed the need for the City to improve the collection of EIT, Property, and Business Privilege Tax. He noted that, although the City sends out \$15.1 million in Property Tax bills, the City only budgets \$14 million in expected collections.

There was next a discussion about the Parking Authority's refusal to pay out the \$1 million payment due to the City. It was questioned if this is a one time occurrence or if the Parking Authority will continue to withhold this money going forward. Mr. Hottenstein expressed the belief that the Parking Authority will look to continue this pattern.

Mr. Hottenstein noted the need for corrections in the line items showing transfers from Water. He stated that staff double-booked these revenues. He stated that part of these revenues reflect the new meter surcharge.

Mr. Waltman stated that he will support the forward bond sale if the Administration agrees to other slight modifications on the revenue and expenditure sides.

There was next a discussion on the street light assessment. Mr. Churchill stated that revenue from the street light assessment is not budgeted at this time. He noted that the street light assessment would be applied to all City properties based on the amount of frontage a property has. The assessment would be applied to all properties including those exempt

from Property Taxes. The need to eliminate/reduce the cumulative structural deficit was also discussed.

III. 2008 Expenditures

Ms. Kelleher distributed a summary showing the operational expenditures for other third class Pennsylvania cities.

Mr. Spencer noted the need for a thorough analysis of City programs against expenses to determine if the program is still viable. He also noted that Council is still awaiting reports on the following:

- Call Center quality of service – success rate (number of calls taken and number of successful resolutions)
- Expenditures versus revenues from the Special Events Coordinator and Pagoda Coffee House

Mr. Marmarou agreed with the need for an evaluation of the Coffee House. He questioned the feasibility of continuing this service if revenues are not covering the cost of service.

Ms. Goodman-Hinnershitz also questioned the fiscal sense of adding new positions while the City continues to operate in a deficit.

Mr. Waltman questioned the purchase of the pension bond last year. He noted the great difference in statements made during presentations to Council versus the reality. He reminded all that the Administration promised Council that the pension bond would fully fund the three pension areas; however, Council learned during budget discussions this year that the pension funds were underfunded by \$3 million. Mr. Hottenstein countered that the \$3 million deficit was caused by current market trends.

Mr. Sterner agreed that the statements made by the financial advisor and the Administration last year were very different than the end result. There was next a lengthy discussion on the effect 2006 pension bond and the terms of the contract with the financial advisor.

Mr. Waltman expressed the belief that the 2008 budget has room for reductions overall; however, he expressed the belief that City Council should not make line item reductions but instruct the Administration to reduce by a specific percentage or dollar amount.

Mr. Churchill described the three library positions and the new park guard program.

Ms. Kelleher noted the erratic fringe benefit costs throughout the 2008 budget. Mr. Hottenstein stated that this line item reflects the cost of life insurance and other benefit programs applied to specific departments.

Ms. Kelleher noted, for the first time, the OND has been added to the general fund budget. Mr. Spencer noted that last year Council agreed to fund the Office of Neighborhood Development through the end of 2007 and re-evaluate the continuation of this operation. Ms. Kelleher noted that the cost of the Office of Neighborhood Development in the general fund budget is \$148,000.

Ms. Kelleher noted the inclusion of the Human Relations Commission at \$394,000 in the 2008 general fund budget. Mr. Churchill explained that this expenditure is covered in full through grant revenues.

Mr. Waltman noted the Mayor's budget letter states that the City budget has been reduced by 27%; however, it is difficult to rationalize this after going through the expenditure line items and seeing increases in areas such as 24% for telephones, 20% for contracted services, 28% in fees and 120% in other costs.

Mr. Churchill agreed with the need to consider what services Council wants to continue. He stated that the budget has increased 11% due to health insurance costs.

Mr. Waltman and Mr. Fuhs agreed with the need to make budget reductions. Ms. Goodman-Hinnershitz restated the need for Council and the Administration to reconsider the addition of new positions.

Mr. Waltman disagreed, as through the increase in the Real Estate Transfer Tax over the past years created the ability of the City to bump up Codes personnel services.

Mr. Churchill expressed the belief that both the Mayor and Council agree with the need to provide improved public services.

Mr. Waltman agreed but expressed the belief that it is better for the City to focus on the success rate of three program areas rather than to provide 20 mediocre services.

Ms. Goodman-Hinnershitz inquired if the new positions proposed need to be sustainable.

Mr. Spencer questioned the implementation of the GREAT program that will replace the DARE program. He stated that Council has asked for a description of the GREAT program several times over the course of the last year but has not yet received it. Mr. Churchill promised to provide an explanation of the new program.

Ms. Kelleher recapped the evening's discussions and asked Council to consider meeting on Thursday, November 8 to continue discussion on the 2008 general fund budget.

Mr. Waltman questioned the approval of the forward bond sale. He noted that he would rather support a partial payment of the outstanding MMO and partial use of the City's surplus.

Mr. Fuhs asked the Administration to resubmit a budget showing \$2 million in reductions overall. Mr. Waltman agreed suggesting the Administration and Council look at a creative combination of recurring revenues and expenditure cuts.

Mr. Hottenstein stated that the Administration cannot target specific budget cuts as certain service areas and programs will not stop when funding runs out.

He noted that the cost of government has risen dramatically over the past four years. He noted that when coming on Council in 2000 the City's annual budget was approximately \$8 million. It has now risen over \$70 million.

Mr. Waltman suggested that the City focus only on crime, fire, and housing.

Mr. Churchill and Ms. Goodman-Hinnershitz noted the difference between Council opinions expressed today from that expressed during the retreat over the summer months. Mr. Churchill noted the need for Council to provide specific feedback on service areas. Ms. Goodman-Hinnershitz noted the difficulty in considering various programs due to funding issues.

Mr. Fuhs noted the difficulty in making small, incremental reductions as it will do little to improve the City's long term viability.

There was next a discussion on various potential expenditure cuts. Mr. Churchill stated that he would provide a menu of budget cuts for the Budget Committee meeting scheduled for Thursday, November 8, 2007.

The Finance Committee meeting adjourned.